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A CAHNERS PUBLICATION DECEMBER 1991

graphic arts monthly®

THE MAGAZINE OF THE PRINTING INDUSTRY

OPTING TO RE-EQUIP

Determined Printers Seek Pathways to Recovery

Quick Print Market • Small Shop Business Planning

A CAHNERS PUBLICATION DECEMBER 1991

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THE MAGAZINE OF THE PRINTING INDUSTRY

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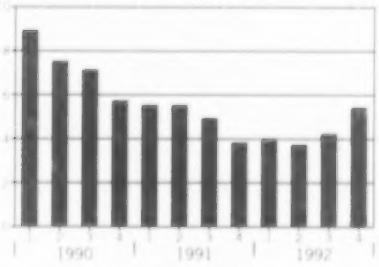
Periodical, Book Sales Remain Strong

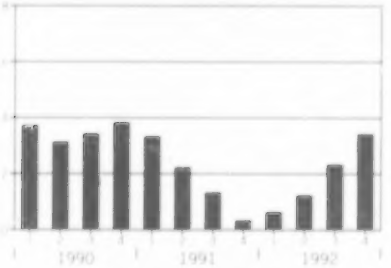


Periodicals and Books Production

Within the printing and publishing industry, the periodical and book sectors remain the fastest-growing, as measured by the industrial production index. In the first eight months of the year, the periodicals and books index rose 4.9% above the same period in 1990. In comparison, output for the whole industry decreased a slim 0.5% in this time period. The periodicals and books area of printing and publishing is boosted mainly by consumer spending. According to the Magazine Publishers Association, consumers are the third largest source of magazine revenues, following advertising and subscriptions.

Despite the low spending levels overall, consumers continue to buy books and magazines; the consumer spending data show significant gains over last year. Continuing at this modest pace, production of periodicals and books will post its slowest rate of growth since 1987 at 3.8% for 1991. Output will pick up more speed late next year and register annual growth of 5.4% in 1992 and 4.2% in 1993.

Job Printing to Post Slowest Growth Since '81



Job Printing Production

The industrial production index for job printing output rose a slight 0.5% in the first eight months of the year, as compared to a year ago. Judging from this poor performance, the job printing sector is headed for its slowest rate of growth since 1981. By the end of the year, expect output to be only 0.3% above the 1990 level. In comparison, job printing output has posted average annual gains of 6.8% over the past five years. Depending heavily on general business conditions and, specifically, on print advertising spending, the commercial printing sector is being hard hit by the current recession. Nonetheless, a recovery is in sight (although it varies greatly from region to region in the U.S.) as the general economy heads into a moderate growth pattern. Cahners Economics is forecasting output growth of 3.4% in 1992 and 5% in 1993.

Following the trends of the general economy, the printing and publishing industry is suffering, as shown in this month's datatable. With the exception of the severe dropoff in newspaper publishing activity, the industry overall is not doing too badly and heads for a bit of a decline this year. Even more fortunate for the industry is the price situation. Price inflation has calmed down tremendously and printers and publishers can worry less about rising material costs.

PRINTING ACTIVITY INDICATORS

				Annual % Change			
Indust.ial Production (1)	**08/90**	**07/91**	**08/91**	**1990**	**1991**	**1992**	**1993**
Printing & Publishing	111.9	111.6	111.9	3.1	0.3	3.6	3.1
Newspapers	86.8	85.8	87.1	1.0	-7.5	1.6	1.4
Periodicals, Books, Cards	124.2	129.9	130.1	5.2	3.8	4.3	4.2
Job Printing	110.6	110.9	110.1	3.8	0.3	3.4	5.0
Shipments (2)							
Printing & Publishing	na	na	na	11.6	4.7	8.0	8.4
Newspapers, Books, Periodicals	na	na	na	4.9	8.1	2.7	4.8
Other Publishing & Printing	na	na	na	16.5	2.8	7.0	7.1
Producer Prices (3)							
Commercial Printing	127.5	129.7	130.1	3.5	2.1	3.7	4.1
Printing Trades Machinery	126.3	127.2	127.5	1.6	1.4	2.2	2.5
Printing Ink	120.1	120.5	120.8	1.3	1.4	1.2	1.5
Paper	121.1	121.8	120.7	-0.1	0.1	3.3	1.9

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Printers Set New Agenda

As the U.S. economy plods out of the recession, equipment buying keeps printers current.

As the nation's businesses try to get a bead on the direction of the economy, signals are coming in mixed and contradictory. Despite the hand-wringing and angst in daily headlines, the economy is recovering, and will continue to do so, probably helped along by a tax cut. The U.S. economy *will* plod out of the recession, if not as soon as some would like, while shedding the dead weight of borrowing excesses from the 1980s.

"We've seen downturns before, and there is always a recovery," says Tom Simunek, president of Meehan-Tooker, East Rutherford, N.J. "The only difference now is that fewer players will remain." The company announced a $20 million press purchase and plan expansion during the Print 91 exposition, despite worrisome headlines. "We don't know when the economy will turn around," Simunek says, "but we want to be ready."

Most printers expect flat sales or tortuously slow growth next year. Many take the "opportunity" presented by the recession to expand or upgrade production capacity, sales forces, and to be acquired or to acquire faltering competitors.

"I am upbeat," says Katherine Gekker, president of Huffman Press. Her Alexandria, Va., shop had been serving top-end designers until the recession forced it to look elsewhere. "We went into this downturn, which began for us in September 1989, in a very strong financial position. We thought we had a nice differentiation for the company in the marketplace, but the economy has eroded that."

Despite a slight erosion from a high of $1 million annually, Gekker added a two-color Heidelberg and a Hamada two-color. "Any time you can afford to put in assets when others can't, you come out ahead," she says.

With a buyers' market both for equipment and companies, Gekker and others find it a good time to expand in anticipation of a comeback. Some businesses are adding salespeople and their loyal accounts.

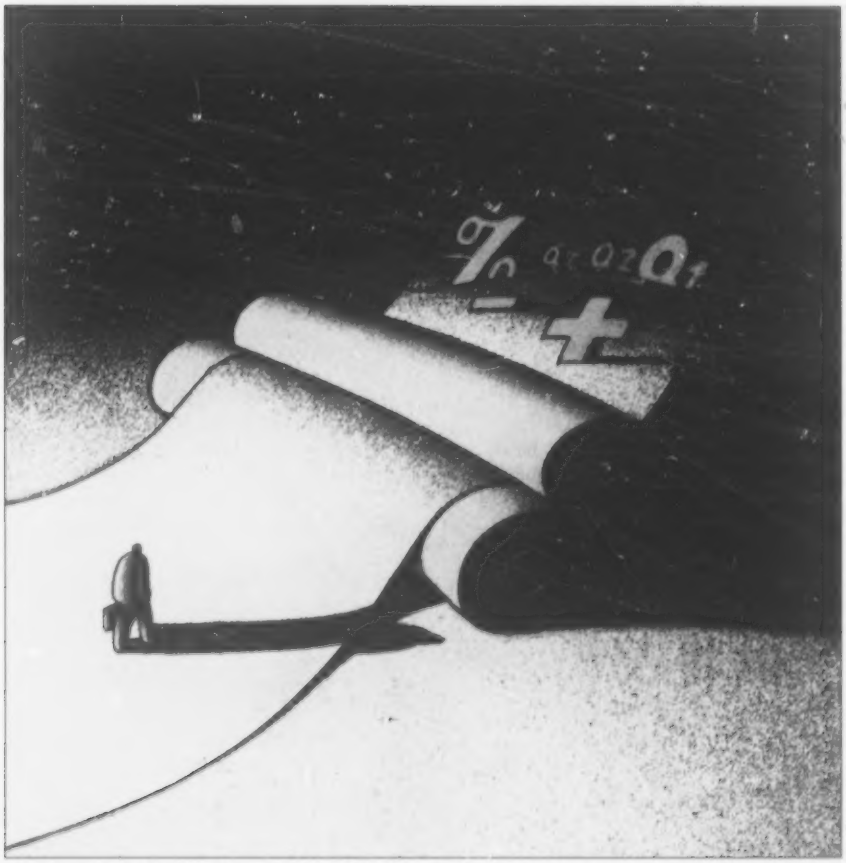
Printers who are regrouping are also restructuring production capacities. Some—rejecting the specialization of the 1980s and playing to the single-source needs of customers who downsized—are adding computer-based color systems, and others are taking binderies in-house.

"There will be fewer buyers at smaller customers, so you'll have printers who are fully integrated," says Skip Sayers, president of Sayers Printing in St. Louis, who recently added Macintosh color systems. "We see ourselves growing about 5% better than the GNP. We're in a niche where we don't have a lot of competition," he says. Also, special in-line finishing allows Sayers to sell on both coasts although, he says, "The East Coast is just moribund."

Printers of varying size are seeing their businesses change. Smaller printers hang onto customers, forging new relationships based on service; "They live on the basis of service, operating right on the doorstep of their customers," is the way Simunek puts it. These small printers serve the growing numbers of very small businesses.

Large printers operate in their

By Bill Esler
Midwest Editor



David Tillinghast

own world, linked to the shrinking numbers of ever-larger customers in catalogs, retail, manufacturing, and publishing.

Mid-sized printers, who often are undercapitalized and dealing with low margins in a competitive marketplace, face the toughest road. Many are driven to merge or be acquired. As Simunek puts it, "Acquisitions today are just a pleasant veil covering bankruptcy."

And just when printers need money to upgrade or expand, print customers enjoy a buyer's market, a painful sidelight of the recession.

For those who haven't been reading the headlines, the recession "began" in September 1990 and "ended" in June, three quarters of negative or no growth. When GNP expanded 2.4% in the quarter ended in September (2.2% in 1987 dollars), some took it as definitive proof that the recession has ended.

Would that things were so tidy for the rest of the nation. A solid case for wavering confidence in the economy can be built on any number of reports. Leading economic indicators, consumer confidence, new car sales, employment figures (including new claims for unemployment, total unemployment, and total employment), housing starts: differing reports on these factors can be cited variously as evidence that the recession has ended, that it continues, or that it is returning for a "double dip".

The reason it's so hard to make sense of is that two different shifts have been happening simultaneously. First, the U.S. economy is being retooled and reformed. It is making a massive adjustment that will take years to complete, as it moves to a new and more competitive position in world markets. It is also undoing the damage wreaked by the speculative excesses of banks and borrowing binges among businesses and consumers during the '80s.

Although it seems like a long and winding road leading to better economic times, printers have already implemented profit-making plans.

Second, the recession was not a discrete, three-quarter drop and recovery, as some have stated. Instead, it hit certain regions and industries over the past two years, striking the Northeast earlier than other areas and devastating financial markets and housing construction.

Since the recession did not follow the historical pattern, neither will the recovery, which will take longer than anticipated. Printing Industries of America presents some very uneven projections on the recovery rate in different regions: the West South Central (Ark., La., Okla., Texas) has already begun its recovery (third-quarter 1991); Pacific Northwest (Alaska, Wash., Idaho, Mont., Ore., Wyo.), Pacific Southwest (Calif., Nev., Utah, Colo., Ariz., N.M., Hawaii), and South Atlantic (Del., Fla., Ga., Md., N.C., S.C., Va., Washington D.C., W.Va.) regions will begin recovering in fourth-quarter 1991; East South Central (Ala., Ky., Miss., Tenn.) in first-quarter 1992; West North Central (Iowa, Kan., Minn., Mo., Neb., N.D., S.D.) and East North Central (Ill., Ind., Mich., Ohio, Wis.) in second-quarter 1992; Middle Atlantic (N.J., N.Y., Pa.) in third-quarter 1993; and New England (Conn., Maine, Mass., N.H., R.I., Vt.) won't begin recovery until fourth-quarter *1995*.

Two major components of the economy, manufacturing and the consumer, will fuel economic growth, but they, in turn, are fueled by confidence.

(Continued on p. 38)

Manufacturing has been recovering. Through August, industrial output of factories, mines, and utilities had risen for five straight months, but by September there was evidence of a slowdown. Three-fourths of the improvement in GNP is based on rebuilding of slim inventories by businesses, indicating optimism, while the balance was based on final sales of goods and services, indicating tight purse strings.

To really power up, consumers—who account for two-thirds of economic activity—must get into the act. Without them there can be no upturn in the basics: auto sales, housing starts, durable goods, or retail sales. Cuts in the Federal Reserve Board's interest rates were not passed along immediately by banks, hampering some business investment. And the most recent cuts, down to 4.5%, are unlikely to stimulate consumers, who feel too debt-laden to borrow at any interest rate.

CONSUMERS WILL EVENTUALLY JOIN IN; THEIR CARS ARE AGING, THEY'RE HAVING MORE BABIES.

Consumers will eventually join in; their cars are aging, they're having more babies, and pent-up demand is rising. But the public is hesitant—fearful, even—in the midst of extended unemployment everywhere. Still, at 4.6%, official unemployment levels are well below the 10% in the last recession.

Consumers are spending much of their income paring down personal debt, by more than $1 billion a month in August and September alone. This is sensible and bodes well for the long term but translates into business torpor for the short term. Though the White House predicts ample GNP growth of 3.6% for the next four quarters, most economists figure 2.8% is more likely.

What does this mean to the graphic arts industry? Advertising-based printing, around two-thirds of the commercial business, may grow along the same rate, but perhaps not in the same time frame. Typically, advertising increases lag GNP growth by a few quarters.

Printers around the nation support this delayed time frame thinking; most don't believe the recovery will help printers for some time. Those doing well often attribute growth to increasing market share, a nice way to say they are taking business from competitors.

McArdle Printing, in the Baltimore-Washington area, chose this recession year to add a Harris N-400B four-unit web and completed a move to a new, larger facility. "We've been experiencing growth from our current customers," says the company's Bill Teare. "Growth in an economically-depressed climate is not growth of the economy per se, but simply getting a larger market share."

Teare sees opportunities beyond the company's regional, two-color newsletter and financial printing services. "The economy is pretty stagnant here, a rare situation in Washington. Heretofore, whenever a recession came, every printer in the country flocked to Washington, but that's no longer true." McArdle has 200 employees and annual sales of $19 million.

In late 1990, Peake Printers, Hyattsville, Md., planned to spend $3 million on a Sigmagraph color prepress system and a seven-color press. Despite the lackluster year, Peake went ahead with its plans.

"We did it for a couple of reasons: it was a buyers' market, and we made some future upgrades to be more competitive," says Jay Rupard, president. As far as seeing any major changes in the market, he adds, "I haven't, and I don't see any in the foreseeable future."

Concord Litho, located in New Hampshire, which is sometimes described as being in a depression, didn't shrink from its purchase of a MAN Roland 800 63" six-unit sheetfed. Ground was broken for the $4 million expansion in March, and the press installed in June. It prints greeting cards, posters, packaging, and labels, all still healthy.

"We had a chance to get out of this machine," says Bill Nourse, sales and marketing vice president. "But we talked about it and said no, let's do it. Since being installed, it's been reasonably busy. I'd say we will end up about 9% to 12% ahead of 1990."

Nourse attributes good value as the key to the growth, but recalls the salad days of 1990, when sales rose 23%. The company does feel pressure to provide all services under one roof. "We're more inclined to add stuff to the back of the operation rather than to prep," he says. "Every six weeks the state of the art of prep is changing, and there are three or four others within 30 miles who have it, so why bother?" Concord has 260 employees and sales of $36 million.

Carqueville Printing in suburban Chicago acquired TCR Graphics during 1991, and added two new Mitsubishi sheetfeds, a

28″ six-color, and a 51″ seven-color, extending its reach from large-format sheetfed down to smaller four-color sheetfed, prepress service, and sales power.

"Obviously 1991 has not been a banner year," says Pat Carney, president. "We've only started to feel the effects of the economy in the last couple of months." He thinks Carqueville/TCR Graphics will recover by second-quarter 1992.

We fared a lot better than most printers. The majority have suffered a pretty tough year," Carney says, who sees 1992 as flat. "But there are opportunities for people who have done their homework."

On the smaller side, Insty Prints Plus, Kansas City, Mo., was the first business in its franchise to break $1 million in annual sales, largely by serving the small commercial market through addition of a short-run forms press, a 19×25″ Multigraphics Eagle, and, at Print 91, a two-color Eagle.

"To combat the recession, we found a spot between the high-end of the fast print business and the low-end of the commercial business," says owner Al Soli. "There's good demand for short-run quality work, which the traditional fast printer won't do."

"In the Midwest, the recession hit later. Traditionally, we don't go downhill as fast the rest of the country, but we recover more slowly," Soli says. He predicts 1992 will be much like 1991: "Very competitive. We're not going to wake up one morning and say, 'The economy is just fine now.' It's [recovery] going to be very, very slow."

Most large, publicly-held companies had at best flat sales and earnings. R.R. Donnelley & Sons reports virtually unchanged earnings for the latest period. Still, it is rated one of the top three firms in its class, in terms of research and development budget, according to *Business Week* magazine, and its capital expenditure plans totaled $290 million in 1991.

The Devon Group, which includes Graftek Press and Black Dot Graphics, reports sales lagging in the latest six months. "Considering the weak economy and the poor state of the graphic arts industry," says chairman Marne Obernauer, "our businesses are performing well. Profitability remains at respectable levels at our prepress and magazine printing units, notwithstanding the falloff in publishers' requirements for textbooks, and the well-documented decline in advertising expenditures."

Banta Corporation, Menasha, Wis., says it is cautiously optimistic about 1992. "Certainly, the extent of the year's success is going to hinge on the timing and the extent of the recovery," says spokesman Mark Fleming. "With both the Olympics and a Presidential election in 1992, we expect to reap some benefits." Another plus is a school textbook adoption program that takes place in California and Texas next year.

"And one area where we hope to see growth in 1992 is data manuals for the computer hardware and software industries," says Fleming. Banta acquired computer manual printer Bushman Press of Salt Lake City earlier this year.

Daily Printing, Minneapolis, finished its latest six months with sales up 22%. "We anticipate an increase of 20% to 25% by the end of our first fiscal year, and from that point, a 15%-20% increase for the following year," says J. Robert Chelberg, the newly-appointed chairman. In early 1991, Daily added a six-color Heidelberg Speedmaster with in-line coating. Chelberg says the growth for the firm came from three sources: "New equipment, a new sales force, and being a more aggressive marketer." The $10 million firm employs 68.

In Rochester, N.Y., Mercury Printing countered the local downturn at big businesses by picking a growing segment: two-color work. The firm, headed by Valerie Mannix—who was named New York State Businesswoman of the Year—was recently granted tax abatements and a $1.8 million industrial revenue bond to help with her $2.2 million project.

"Everything went pretty well in 1991," says Mannix. "We opened a few more markets and centralized our printing jobs to two-color, which has done wonders because everyone has been cutting down on four-color work." Her biggest customers: Xerox, government agencies, and computer software firms.

"Big four- and six-color plants tell me things are starting to pick up here. With about 400 printers, Rochester is a full market, but there's enough work for everyone," she says. Her 60-employee firm will add 20 people after

Growth in the '90s

If times are tough now, they won't always be, and what follows is a table, courtesy the PIA and *Printing 2000*, indicating which print markets are likely to grow (i.e., average annual real growth) in the coming decade.

Other Advertising	8.5%
Quick Printing	6.5%
Direct Mail	5.5%
Annual Reports	4.5%
Prepress Services	3.5%
Catalogs/Directories	3.5%
Inserts/Coupons	3.5%
Business Communications	2.5%
Magazines/Periodicals	2.5%
Book Printing	1.5%
Labels/Wrappers	1.5%

moving to new quarters.

The recovery will prompt a move toward vertical integration, prepress through finishing, all done in-house. "Today's technology will force every printer who wants to stay in the game to get into prepress," Carquevill-le/TCR's Carney says. He adds that investment in technology, whether prepress or pressroom, will spell the difference between survival. "Over the next five years, fringe printers will have a rough time. Our industry is in for a real dramatic change. Those properly positioned will come out way ahead of the game."

"Most printers are breaking even, or even losing money," says Ken Bortner, vice chairman of Northeast Graphics, North Haven, Conn. The company has seen 60 new accounts so far this year. "Actually we're optimistic, unlike most people out there," says Bortner. "Part of the reason is that we've always been ahead of most printers when it comes to investing in technology."

The company added its second pair of Macintosh-based color prepress units and an Agfa 5000 imagesetter, plus the first Komori 40" press (a seven-color unit) in its region, with automatic makeready and automated plate changers. "We have a capital budget and stick to it," he says. "If you don't put the money in, you're going to lose out."

> "TODAY'S TECHNOLOGY WILL FORCE EVERY PRINTER WHO WANTS TO STAY IN THE GAME TO GET INTO PREPRESS."

Despite operating in one of the bleakest areas of the country, Northeast Graphics is opening a sales office in Washington, D.C., plus sales bases in New York, Philadelphia, Boston, and Rochester. Says Bortner, "Next year the economy is going to level off, or stay at a lower level. It probably won't get any better."

Waiting for recovery in 1993, Bortner says his company will grow by adding salespeople: "Our strategy is to recruit the salespeople who have the accounts, and expose those accounts to the next technology and the talent that we have at Northeast. We've expanded the sales force by 50%." Sales are $60 million, and the company employs 400 in its web and sheetfed plant.

For print industry suppliers and financiers who avidly track capital expenditure as indicative of business recovery among printers, the signs were good this fall at the Print 91 exposition. Typical monthly printing equipment sales in 1991 were running around $196 million (12% below 1990 levels), according to NPES, the Association for Suppliers of Printing and Publishing Technologies.

At Print 91, more than 50,000 printers came on a shopping spree. Heidelberg alone sold $100 million in equipment; Komori placed 25 presses valued at $30 million; MAN Roland sold $50 million in sheetfed and webs; Akiyama sold $15 million in presses. Assuming sales of another $100 million by other exhibitors means overall totals around $300 million.

As printers expand, another cost to be reckoned with is the expense of meeting new, stricter environmental regulations imposed by both the government and by customers. "There's a lot of burden on printers right now," says Hal Ettinger, head of Project Resource Group, a suburban Chicago specialist in plant construction and buildouts.

A $3 million web might entail a $1 million add-on for pollution controls. "Pollution abatement is raising the price tag for expansion," Ettinger notes. Some put off compliance but will have to take the hit eventually, he says.

Berlin Industries, Addison, Ill., estimates its recent plant construction included $6 million in environmental controls—nearly half for an air pollution cleaner—in all, a big chunk of the $40 million project.

There are some bright spots among the bleakness. Since nearly 5% of retail goods are sold via mail order, catalog and direct-mail businesses have potential; the finely targeted direct-mail piece is still popular with advertisers seeking reduced waste from other media.

The most successful industries in the latest quarter—those showing earnings rises against third-quarter 1990—include semiconductors (up 236%); medical, biotechnology, and security brokers (98%); auto parts (96%); casinos (87%), food (61%); and factory equipment, food retailers, heavy construction, and industrial technology, all up 29% to 34%.

Aggressive printers are retooling and taking the opportunity to reposition themselves. They are moving their businesses to serve the areas they view as under-served, or to those areas that are growing, or away from those areas that are shrinking. But printers must understand that the economic changes sweeping through U.S. businesses will continue for the next few years. ▤

Circle No. 107 on Reader Service Card →

Cards Compete In New Outlets

Card manufacturers are reacting to slower growth by diversifying into new markets.

Faced with higher postal rates and a diminishing number of buyers, greeting card manufacturers are seeking new venues to sell cards and exploring new eye-catching designs to attract buyers.

Since the mid-'80s, card sales have been flat; the traditional card shop must now compete with sales through catalogs, grocery and pharmaceutical chains, and off-price stores, such as flea markets.

Card manufacturers, realizing the need to offer a variety of styles and respond to consumer demand, are cutting run lengths, using more recycled paper and environmentally-sensitive materials, and reducing inventory to cut costs. And niche publishers are marketing cards to assorted causes and groups, such as the National Wildlife Federation or ethnic groups, which take sales from traditional card companies.

The Greeting Card Association, Washington, D.C., says retail card sales in the U.S. totaled about $4.6 billion in 1990 and expects sales to rise to $5 billion in 1991. Described by the association as mature, the card industry will experience only nominal growth of 1% to 3% in the future. Some 85% of the market is controlled by Hallmark Cards, American Greetings, and Gibson, while the rest is divided by more than 1,000 smaller niche card publishers.

By Debora Toth
Project Editor

Card manufacturers are reacting to the slower growth in a number of ways. Privately-held Hallmark Cards, Kansas City, Mo., with sales of $2.7 billion in 1990, is diversifying into cable, television, and other products. It invested about $1 billion this year to purchase Cencom Cable Association, which has about 550,000 cable television subscribers in the St. Louis area. Hallmark also owns nine television stations in New York and Los Angeles that carry Spanish-language programming, and Binney & Smith, the manufacturer of Crayola crayons.

In an interview in *The New York Times*, Irvine Hockaday Jr., Hallmark's president and chief executive, said, "We think the future of cable is attractive. But we also think there is a possibility that it will provide us with cross-term marketing." Hallmark's research indicates that consumers spend less time in shopping malls today, which puts a damper on greeting card sales. By purchasing cable and television stations, the company is looking into selling cards through a home shopping show.

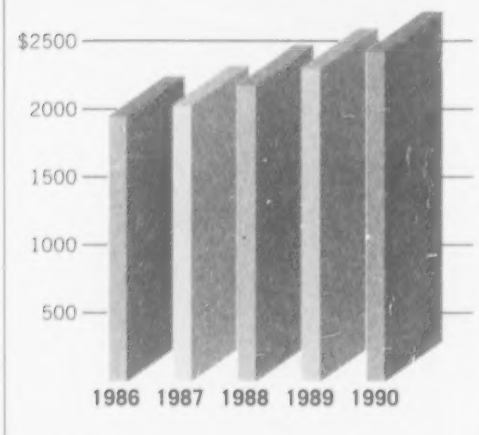
In the meantime, Hallmark sells its cards strictly through its own stores, along with its own gift wrap, stationery, and assorted items. The company jobs out most of the 11 million cards it produces a day, handling the specialty work, such as diecutting, stamping, and embossing, plus marketing, inventory, and distribution.

Commercial Lithographing Company, Kansas City, has been printing Hallmark cards for 40 years. It also produces food labels, envelopes, and food packaging material on four 40″ Heidelberg Speedmaster six- and seven-color sheetfed presses, and four 60″ sheetfeds.

"The run lengths [for cards] are shorter and cycle time is

Greeting Cards

1990 Print Sales: $2,426 (millions)[e]



Major Printers—Greeting Cards

Rank	Company	Sales in millions*
1	Hallmark Cards Inc.	1,090.0
2	American Greetings Corp.	745.0
3	Gibson Greetings Inc.	255.7
4	Deluxe Corporation	130.0
5	CSS Industries Inc.	45.0
6	Paramount Cards Inc.	41.0
7	Pitney Bowes Inc.	21.0
8	Burgoyne Inc.	19.0
9	Williamhouse-Regency Inc.	15.0
10	Masterpiece Studios Inc.	14.5

*Note: Preliminary Ranking e = estimate Source: PrintMarkets

Chart by Annabelle Carter

greeting cards. Recycled paper won't be accepted in a Mother's Day card."

But card manufacturers are working on other environmental issues. Bill Pfeiffer at Commercial Lithographing admits that the Environmental Protection Agency, Missouri Department of Natural Resources, and Mid America Regional Council are looking hard at printers in the state. "The printing and dry cleaning industries use volatile chemicals," says Pfeiffer. "We are using organic chemicals and a few soy-based inks. We realize the pressure from our clients."

To tint its envelopes, Gibson uses vat dyes that are mostly organic. "We also use soy-based inks and are within striking distance of a zero-based chemical," says Slouka. Gibson's Cleo Division in Memphis has been recognized for its progress in using water-based inks on its high-speed six-color presses.

American Greetings is using more recycled paper and less fountain solution. "We're looking into waterless plates. It's very appealing to us," says Van Arsdale. "Right now, it's just an investigation. We would expect to get higher quality and faster set-up time. We'd like to use Toray plates on some selected higher-quality products."

To attract buyers to new designs, card manufacturers such as Hallmark, American Greetings, NuArt, and Current utilize a new process known as Prismatic Imaging. Invented by Robert Mancuso of RJM Graphics five years ago, it involves silver stamping the card, then printing atop the silver stamping.

House of Gold, Pennsauken, N.J., holds the exclusive license for marketing the process to the greeting card industry. After it silver-stamps the cards, House of Gold sends them to three licensed printers: Lebanon Valley Offset (LVO), Annville, Pa.; Triune Color Corporation, Pennsauken, N.J.; and Foremost Printers, Stoughton, Mass.

"We introduced the process to the greeting card industry two years ago," says Len Solomon, House of Gold's president. "The first full year we stamped 1.5 million cards. In 1991, we will stamp 40 million cards. We've catered to the greeting card industry for 11 years."

Jim Schneiter, LVO vice president and director of research/quality control, agrees: "What makes the effect different is that the card is stamped, then printed, so when a viewer holds a card at different angles, there is a color change, like a hologram or 3D. It's not a simple turnkey process. The stamp has to be in register so that we can print over it. It's a very fine register process that you cannot do casually."

LVO entered the traditional greeting card industry more than 10 years ago, specializing in museum and art reproduction cards. In early 1991 it started to print the Prismatic Imaging process. "We saw it as an opportunity to round out our market," says Schneiter. "There's a lot of opportunity with the niche players. They have to differentiate themselves from the Big Three."

All card makers are concerned about postal hikes, which affect the volume of cards sent during the holiday period as well as cards sent throughout the year. The Postal Service recently rejected an increase in the 29¢ first-class rate; a rise is now likely in 1994.

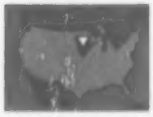
Another concern: post office use of optical scanners for zip codes. "The equipment can't pick up certain colors, such as the Christmas colors of dark green and dark red," says Van Arsdale. "I suspect the Postal Service won't change its equipment, so we'll have to look at our envelope colors. Perhaps we'll use white envelopes printed with a holiday design, or use pastels."

For card manufacturers, the ongoing challenge of forecasting consumer tastes and buying habits—which they have perfected via in-store testing, focus groups, and consumer panels—today also extends to wide-ranging appeals for the environment, ethnic pride, and other causes.

But no matter the trends, print in its many variations will continue to play a key role at that special moment when a shopper selects just the right card.

graphic arts monthly

Center Stage, Population Fringe



The West North Central region is dead center, the vast geographical heart of the United States. It is central in other ways, too, and it seems appropriate that we conclude this long survey with the Great Plains. Nothing demonstrates the symbolic nature of this part of the country like a presidential campaign. In the coming months you will see droves of presidential candidates going there to be photographed standing in cornfields and pigpens, demonstrating their solidarity with the farmer.

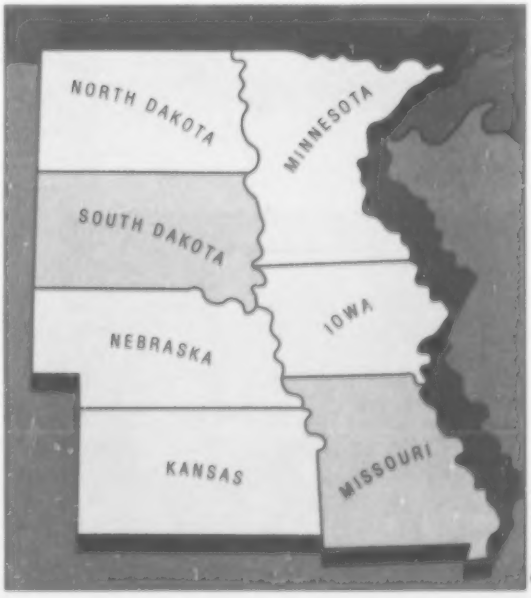
Meanwhile, we have before us not the mythical but the actual Great Plains, specifically the states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North and South Dakota. This great spread of land (it is about two and a half times the size of France) is mostly rural, with its major cities—Minneapolis/St. Paul, Kansas City, St. Louis—spread along the eastern edge of the region. The printing industry here, as it does in most places, stays pretty close to the population. Minnesota and Missouri between them account for more than 60% of the printing activity in the region, most of it clustered in the cities. Then as you move north and west it trails off gradually until you get to the Dakotas, where it plummets. South and North Dakota, not incidentally, rank respectively 45th and 46th in population among the states.

Population and its changes raise questions as to the long-term future of the West North Central region. Census Bureau figures show a slow but steady migration out of the area, a pattern reflected in the statistics for educational attainment. Most of these states rank above the national average in incidence of high-school graduates and below it in college graduates, which almost certainly means that many of the region's young people are leaving and not coming back.

In terms of the printing industry, the region seems to be doing fairly well. On the whole, the recent (or current, depending on who you believe) recession affected the Midwest less severely than it did the East Coast or southern California; profitability and capacity utilization figures for the West North Central are slightly above national averages. For most of the region's printers, 1990 was slightly better than 1989, and optimism, though not feverish, exists.

Inside this detachable fold-out form we present a general profile of the graphic arts industry in the West North Central region. The most revealing portion, as noted above, presents survey results among commercial printers. It shows sales changes from 1989 to 1990, the extent of those changes, profitability and capacity comparisons, and a business perception index.

Reprints of this installment of Print Market Trends may be ordered from Carol Bien, Cahners Publishing, Reprint Department, 1350 E. Touhy Ave., Des Plaines, Ill. 60018.



Joan Wiesenborn

By Peter Johnston
Special Projects Manager

Regional Overview

Commercial printing contributes more than $7 billion annually to the economy of the West North Central region, making it an important source of employment opportunity, capital generation, and tax revenue in the seven-state area. Of the 2,565 printing sites (re PIA; commercial printers), 63% are in two states, Missouri and Minnesota. Iowa and Kansas are fairly close to being the same size, printwise, followed by Nebraska and the Dakotas, proving the rule that print concentration generally follows population. The figure given for printing sites in Nebraska, incidentally, is a misprint for which we apologize; the actual total is around 200.

COMMERCIAL PRINTING

Value of Shipments

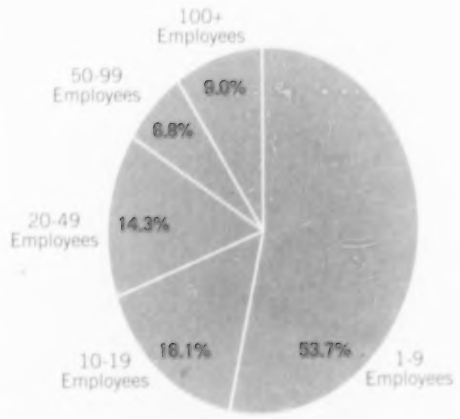
State	Sales, 1990 ($ million)	% of Region	Sales, 1989 ($ million)	% change (1989-1990)
Minnesota	$2,458	35.0%	$2,291	7.3%
Missouri	1,936	27.6%	1,819	6.4%
Kansas	1,055	15.0%	985	7.1%
Iowa	973	13.9%	908	7.2%
Nebraska	433	6.2%	406	6.7%
South Dakota	89	1.3%	84	5.9%
North Dakota	73	1.0%	68	7.3%
TOTAL	**$7,017**	**100%**	**$6,561**	**6.9%**

Source: PIA Economics Department

Printing Sites

State	Sites
Missouri	906
Minnesota	754
Iowa	405
Kansas	357
South Dakota	65
North Dakota	57
Nebraska	21
TOTAL	**2,565**

All Graphic Arts Plants, by Employee Count



Source: GAM 1990 Plant Equipment Market Profile

Charts and graphs by Lisa Hilgers

All Graphic Arts Plants, by Function

Function	# of Plants
Commercial	2,052
Newspaper (w/Commercial)	284
Newspaper (w/o Commercial)	209
Book & Pub	192
Business Forms	71
Converters	121
Noncommercial	705
Trade	286
Quick Printers	228

Source: GAM 1990 Plant Equipment Market Profile

DEMOGRAPHICS

Population

State	Population	Rank
Missouri	5,066,000	15
Minnesota	4,214,000	21
Iowa	2,851,000	29
Kansas	2,460,000	32
Nebraska	1,598,000	36
South Dakota	708,000	45
North Dakota	679,000	46
TOTAL	**17,576,000**	

Population Changes

State	Change (1980-86)	Net Migration
North Dakota	4.1%	-15,000
Kansas	4.1%	-18,000
Minnesota	3.4%	-72,000
Missouri	3.0%	-18,000
South Dakota	2.5%	-20,000
Nebraska	1.8%	-45,000
Iowa	-2.2%	-166,000

Educational Attainment

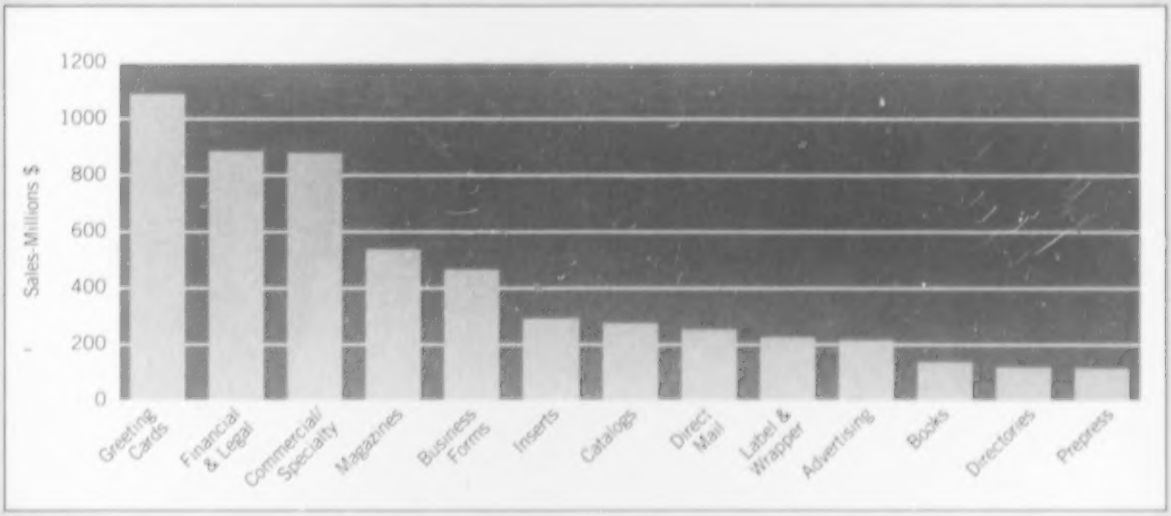
State	High School Graduates	College Graduates
U.S. Average	66.5%	16.2%
Nebraska	73.4%	15.5%
Kansas	73.3%	17.0%
Minnesota	73.1%	17.4%
Iowa	71.5%	13.9%
South Dakota	67.9%	14.0%
North Dakota	66.4%	14.8%
Missouri	63.5%	13.9%

Source: U.S. Dept. of Commerce, Bureau of the Census

Market Profile

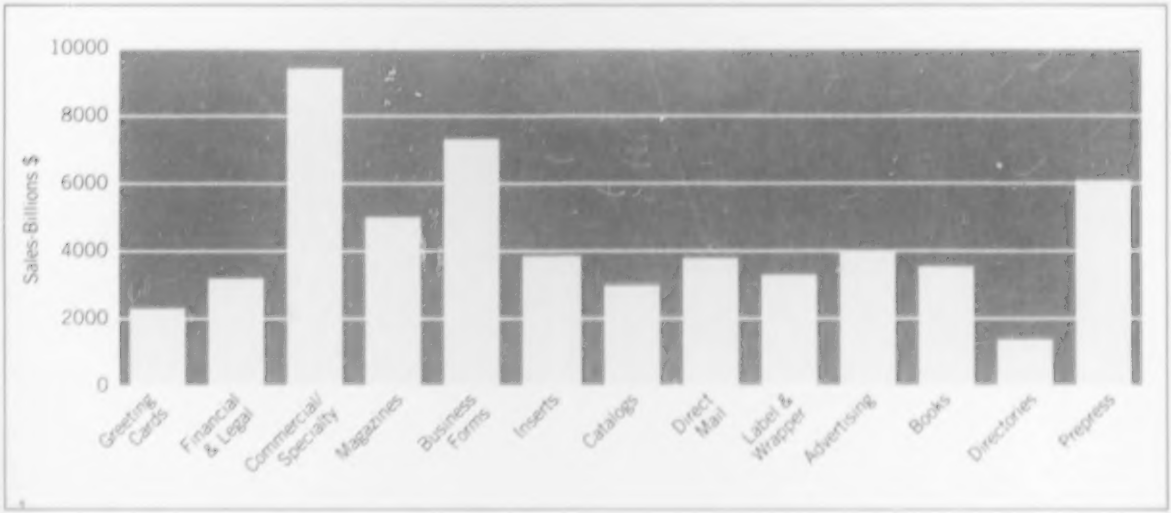
Ranking of Product Segments . . .

This ranking is taken from a database of larger plants (20 or more employees) in the region, with a preponderance of very large sites. The presence of greeting cards at the top is entirely due to one company, Hallmark, which is in Kansas City. Another large firm, Deluxe Corporation, formerly known as Deluxe Check Printers, similarly distorts the picture for financial and legal printing. Prepress, ranked third nationally, is dead last in the region.



. . . Compared to National Totals

These bar charts are presented in similar order to simplify comparison between segment concentration in the West North Central region and the U.S. as a whole. Note that though they are ordered somewhat differently, the largest segments (except prepress) track each other fairly closely. There are, however, some other disparities; for example, advertising is relatively unimportant in the seven-state region, as is book printing.



Leading Printers in the Region

IOWA

Bawden Printing, Inc., Eldridge
Wm. C. Brown Company, Dubuque
The Clarinda Company, Clarinda
Control-O-Fax, Waterloo
Downey Printing Inc., Des Moines
Economy Data Products, Des Moines
GBP Industries (Sullivan), Marengo
Heartland Press Inc. (Colwell), Spencer
Meredith/Burda Corporation, Des Moines
The Fisher Group, Cedar Rapids
The Vernon Company, Newton
Thomas D. Murphy (Shaw-Barton), Red Oak
Wagners Printers, Inc., Davenport

KANSAS

Ace Forms, Pittsburg
Adams Business Forms, Topeka
Data Documents Systems, Inc., Industrial Airport
Dimension Graphics, Inc., Lenexa
Forms Manufacturers, Girard
Graphic Promotions, Topeka
Graphic Technology, Inc., Olathe
IMI Business Forms, Parsons
Jostens Printing & Publishing, Topeka
McCall Pattern Co., Manhattan
McCormick-Armstrong Company, Wichita
Neff Printing, Inc., Shawnee Mission
Ringier America, Inc., Olathe
Service Business Forms, Inc., Wichita
Treasure Chest Advertising, Lenexa
Valassis Inserts, Wichita
Vallis/Wngroff Business Forms, Cherryvale
Vile Goller/Fine Arts Printing, Kansas City
Ward/Kraft, Inc., Fort Scott

MINNESOTA

Advertising Unlimited, Inc., Sleepy Eye
American Spirit Graphics Corp., Minneapolis
Anderberg-Lund Printing, Minneapolis
Brown & Bigelow, Inc., St. Paul
Brown Printing Company, Waseca
Colorhouse, Inc., Minneapolis
Colwell Industries Inc., Minneapolis
DataCard Corporation, Minneapolis
Deluxe Corporation, St. Paul
Gaines & Hanson Printing, New Hope
Holden Business Forms, Inc., Minneapolis
Instant Web, Incorporated, Chanhassen
Japs-Olson Company, Minneapolis
Litho Specialties, St. Paul
Quebecor Printing, Fridley
Quebecor Printing, St. Cloud
Quebecor Printing, St. Paul
McGill/Jensen Inc., St. Paul
Merrill Corp., St. Paul
Meyers Printing Company, Minneapolis
Moore Business Forms, Inc., St. Louis Park
Muscle Bound Bindery, Inc., Minneapolis
National Computer Systems, Eden Prairie
Northprint Co., Inc., Grand Rapids
Northstar Computer Forms, Minneapolis
Photo Mechanical Services, Inc., Minneapolis
Process Displays, Minneapolis
Schmidt Printing, NW Rochester
Scoville Press, Inc., Plymouth
Shakopee Valley Printing, Shakopee
Sly Litho, Inc., St. Paul
Spectrum, Inc., Minneapolis
TapeMark Company, West St. Paul
The Bureau of Engraving, Minneapolis
The Hart Press, Inc., Long Prairie
The John Roberts Co., Minneapolis
The Press, Inc. (Banta), Chanhassen
The Printer, Inc. (Banta), Maple Grove
United Mailing, Inc., Chanhassen
Victory Envelope, Inc., Chanhassen
Viking Press, Inc. (Banta), Eden Prairie
West Publishing Company, St. Paul

MISSOURI

Barton Nelson, Inc., Kansas City
Burd & Fletcher, Inc., Kansas City
Buxton & Skinner Ptg. (Pubco), St. Louis
CB Forms, Ltd., East Prairie
Clark Printing Company, Inc., North Kansas City
Color Associates, Inc., St. Louis
Color-Art Printing, Inc., St. Louis
Combined Communication Svcs., Columbia
Comfort Printing & Stationery, St. Louis
Corley Printing Company, Earth City
Eagle Lithographing Company, Kansas City
Fleming Printing Co., Fenton
Fordyce Marketing Services, Hazelwood
Goodwin Brothers Printing Co., St. Louis
Gospel Publishing House, Springfield
Hallmark Cards, Inc., Kansas City
Harmony Printing, Liberty
Henry Wurst, Inc., North Kansas City
Jefferson Smurfit Corporation, St. Louis
John Stark Printing Company, St. Louis
Keeler/Morris Printing, Hazelwood
Lewin Bookbinding, Hazelwood
Lithocraft Studios, Hazelwood
McGrew Color Graphics, Kansas City
Midland Lithographing Company, North Kansas City
Midland/Eagle Lithographing, North Kansas City
Missouri Encom, Inc., St. Louis
MWM Dexter, Inc., Aurora
Nazarene Publishing House, Kansas City
Nies/Kaiser Printing Companies, St. Louis
Sayers Printing Company, St. Louis
St. Louis Lithographing, Afton
The Flesh Company, St. Louis
Townsend Communications Inc., Kansas City
Universal Printing Company, St. Louis
Von Hoffman Press, St. Louis
Wadsworth Publishing Company, Marceline
Wilkes Direct Mail, St. Louis
Witt Printing, El Dorado Springs

NEBRASKA

Data Documents, Inc., Omaha
Epsen Hillmer Graphics Co., Omaha
Foote & Davies—Lincoln, Lincoln
Interstate Printing Company, Omaha
Omaha Printing Company, Omaha
Rapid Printing & Mailing, Omaha

SOUTH DAKOTA

Modern Press, Sioux Falls

Sources: Graphic Arts Monthly, Trade & Technology Press

How Printers Are Doing

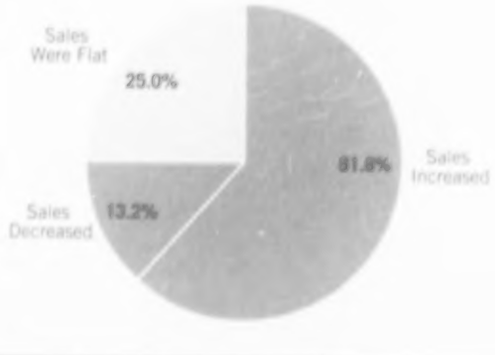
Based on a survey of firms in the region, conducted by Cahners Publishing

Profile of Respondents

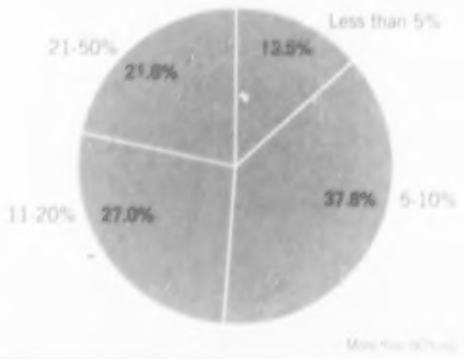
Commercial printers in the West North Central region responding to a recent mail survey reported year-over-year changes in their annual sales, profitability, and operating capacity. They also revealed how they perceived the outlook for business in their area. The following information is as reported by survey respondents; 1990 gross sales were estimated.

Gross Sales in 1990		# of Employees	
Less than $500,000	4.4%	1-4	1.5%
$500,000-749,999	11.8%	5-9	12.1%
$750,000-999,999	13.2%	10-19	21.2%
$1 million-2,499,999	25.0%	20-49	34.8%
$2,500,000-4,999,999	17.6%	50-99	27.3%
$5,000,000-9,999,999	19.1%	100+	3.0%
$10 million or more	8.8%		

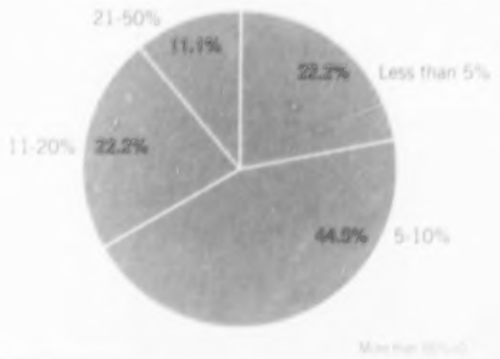
How Sales Changed, 1989 to 1990



If Sales Increased, How Large Was Increase?

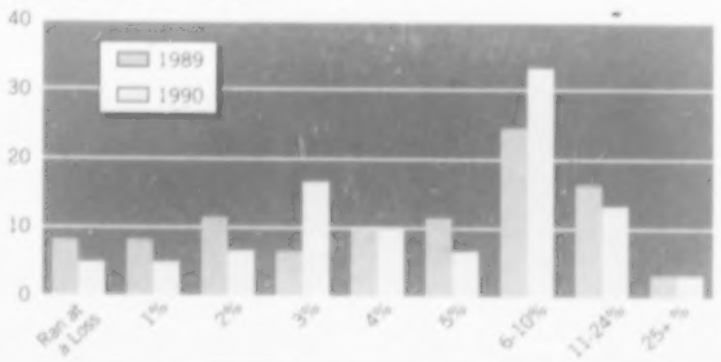


If Sales Decreased, How Large Was Decrease?

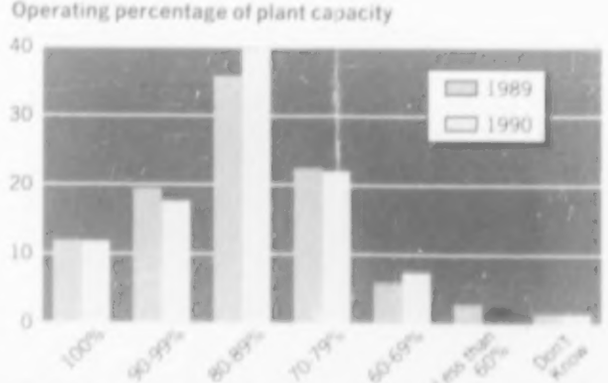


PROFITABILITY & CAPACITY

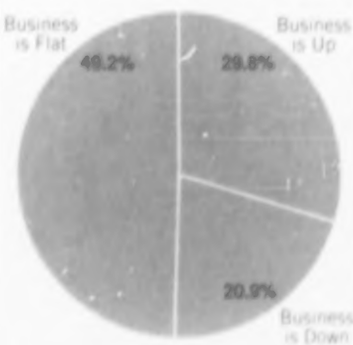
Profit as a percentage of gross sales



Operating percentage of plant capacity



Perception Index



Comments by Printers

- This is a competitive market, but not yet saturated with qualified, consistent vendors.
- Agriculture is doing better, so Midwest economy is recovering from the '80s recession.
- Growth will continue to be more and more concentrated. Planned innovation and expansion is required for growth.
- Dollar sales are the same, but inflation in costs and prices results in less products shipped.
- Competition has become fierce and has forced prices down.

graphic arts monthly

Quick and Profitable

This special gatefold represents a first for GRAPHIC ARTS MONTHLY: the first time we've presented a substantial national and regional profile of the quick printing industry.

This continuously growing segment of the industry is under constant change and redefinement; that is to say, when even the industry's own National Association of Quick Printers (NAQP) keeps reviewing (and altering, when necessary) its definition of "quick printing", you can be sure the industry is one where technology and people adapt quickly (no pun intended) to changing customer needs.

Just for the record, the new definition of quick printing, courtesy the NAQP, reads as follows: "An existing printing business providing printing and related services on a quick-turnaround basis, excluding in-plant operations, brokerage houses, or companies not identified as printing business, who provide occasional reproduction services to the general public."

What you'll find on the next four pages is a gathering of some of the "top" (in terms of sales figures) quick printers, presented by region.

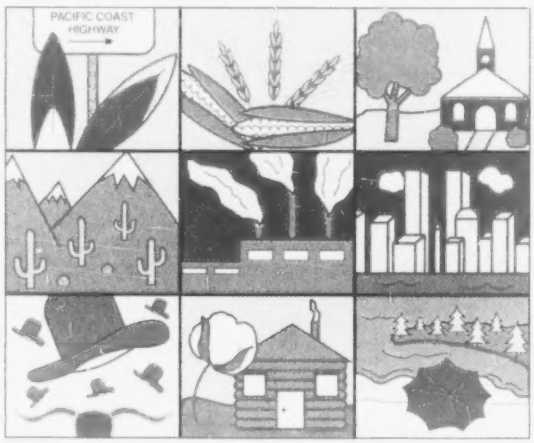
By Michael Karol
Managing Editor

Using GAM's own subscription list as a starting point, and moving on to a number of other well-placed sources (e.g., the NAQP, the Crouser Report on Sales, the 1991 U.S. Industrial Outlook), we decided against getting too specific with sales numbers.

There are enough reports available to glean average independent single-shop and franchise quick print sales. The Crouser Report lists them as $640,578 (independents) and $562,644 (franchised shops) for 1990; the NAQP's own study, including nonmembers, pegs the numbers at $421,047 (multiple shop operations, meaning an average of 2.7 stores), and $422,717 (single-shop operations) for 1989.

From our own research, we've learned that, of the bigger shops, very few enter the rarefied atmosphere of $10 million or more a year in sales; a big handful score at $3 million to $10 million in sales; and the majority of larger quick printers hit somewhere between $1 million and $3 million in sales, with anywhere from 10 to 50 employees, on average.

We've also included a separate analysis of franchise sales, and a number of charts and statistics on such subjects as use of color, color as a percent of sales, sales growth by region and per employee, and the growth of the industry, that help round out the overall picture. While we don't claim to have included everyone, we do believe it is an honest attempt to define a somewhat mercurial industry.



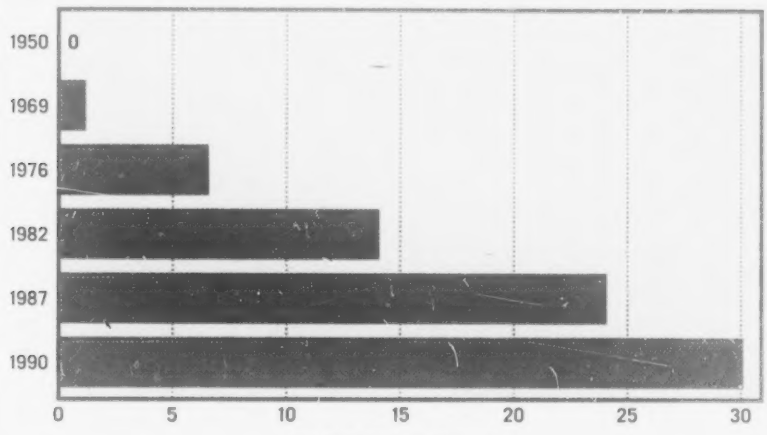
Lisa Higgins

Special thanks to Assistant Editor Bridget Kinsella Arajs for her assistance in compiling the franchise information in this gatefold; others who deserve a nod include Editor Roger Ynostroza, Art Director Karen Lehrer, Nan Hallock and Jeff Hayzlett of the NAQP, and Tom Crouser & Associates.

For additional reprints of this double-gatefold form, send $5.00 to Cathy Dionne, Reprint Services, Cahners Publishing Company, 1350 E. Touhy Ave., Des Plaines, Ill., 60018.

Graphically Speaking

The Growth of the Quick Printing Industry



The quick printing industry can trace its beginnings back to the development of the Itek daylight camera in the mid-1960s. Prior to this milestone, there were fewer than 1,000 such shops in the U.S. One of the few industries that has shown steady growth since its inception—now with desktop printing and improvement in color copying technologies—the quick printing industry claims more than 30,000 independent and franchise locations, and total estimated yearly sales of $8 billion.

Source: NAQP

Illustrations, charts and graphs by Lisa Higgins

Sales Growth of Small Press Printers

The Crouser Report is published annually by Crouser & Associates, management consultants based in Charleston, W.Va. Taking the sales reports from 200-odd small-press printers, it analyzes sales growth with respect to a number of different factors, including region and number of employees (see charts, below).

The 1990 Report notes the fastest sales growth that year was found in a typical unit with 1989 sales between $500,001 and $750,000. The owner is out selling something to someone 25% or more of the time; copying sales probably account for between 5% and 10% of sales; and it's located in the midwestern suburbs.

Sales Growth by Region

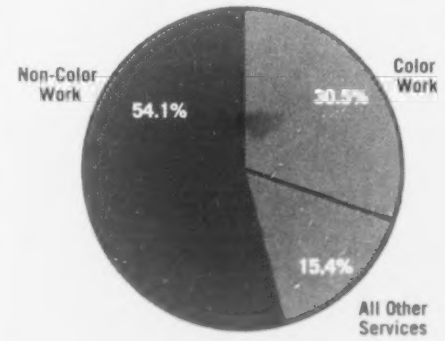
Region	1988 Sales Growth	1989 Sales Growth	1990 Sales Growth
Northeast	12.8%	9.6%	2.0%
South	14.4%	8.8%	4.7%
Midwest	14.2%	9.6%	7.1%
West	13.9%	14.0%	6.8%
National	13.9%	10.3%	5.4%

Sales Growth by Number of Employees

# of Employees	1988 Sales Growth	1989 Sales Growth	1990 Sales Growth
1.0– 5.0	12.9%	5.3%	1.2%
5.1–10.0	13.7%	9.8%	6.4%
10.1–15.0	17.3%	12.1%	8.9%
15.1–20.0	8.2%	6.2%	8.0%
20.0–Up	17.0%	16.6%	2.0%

Source: *The Crouser Report on Sales Among Small Press Printers, 1990*

% Breakdown of 1990 Sales Dollars



% Breakdown of 1990 Color Sales

Offset Printing	1990 %	Estimated 1993 %	Net Change in % Points
11" x 17" OR LESS			
Black Ink Only	29.0	22.4	–6.6
One-Color Printing	12.9	13.7	+0.8
Two-Color Printing	10.5	13.0	+2.5
Three or More			
Spot-Color Printing	1.8	3.0	+1.2
Four-Color Process	0.6	2.1	+1.5
SUBTOTAL	54.8	54.2	**–0.6**
LARGER THAN 11" x 17"			
Black Ink Only	1.0	1.1	+0.1
Colored Ink Printing	1.3	1.7	+0.4

Source: NAQP

The Top Quick Printers in the U.S., By Region

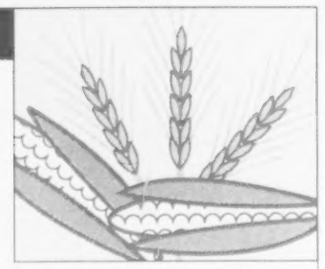
Pacific

$3-10 million in Sales
Copy House, Sacramento, Calif.
Reprographic Systems, Sunnyvale, Calif.
Sudden Printing, Seattle, Wash.
Vanier Graphics, Santee, Calif.
Walker Reprographics, San Francisco, Calif.
$1-3 million in Sales
Action Copy Center, Portland, Ore.
Bear State Printing, San Fernando, Calif.
PIP Printing, Burbank, Calif.
PIP Printing, Anchorage, Alaska
Shaw Copy Center, Fresno, Calif.

Key to Region: Alaska, California, Hawaii, Oregon, Washington

West North Central

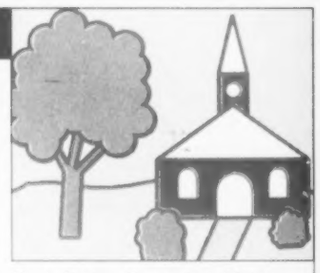
$10-20 million in Sales
Insty-Prints, Minneapolis, Minn.
Quik Print, Inc., Wichita, Kan.
$3-10 million in Sales
Buzz Print, Inc., Shawnee Mission Lak Kan.
Liberty Printing, Liberty, Mo.
Omaha Printing Service, Omaha, Neb.
PIP Printing, St. Louis
Schmidt Printing, Inc., Rochester, Minn.
$1-3 million in Sales
Compu Print, Sioux Falls, S.D.
Pro Instant Print, Minneapolis, Minn.
Pro Print, Inc., Lawrence, Kan.



Key to Region: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

New England

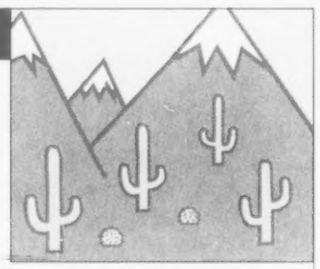
$3-10 million in Sales
Allied Color Acusystems, Guilford, Conn.
Copytech Printing, Canton, Mass.
Mail House, Inc., Avon, Mass.
$1-3 million in Sales
Goodcopy Printing Center, New Haven, Conn.
Instant Printing Place, Norwood, Mass.
Precision Printing, Norwalk, Conn.
Sir Speedy, Lynn, Mass.
Sir Speedy, Boston, Mass.
Sir Speedy, Wellesley, Mass.
XPress Copy Service, Portland, Maine



Key to Region: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Mountain

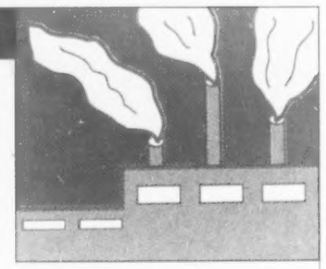
$3-10 million in Sales
AlphaGraphics, Tucson, Ariz.
Kwik Kopy, Phoenix, Ariz.
PDQ Printing, Las Vegas, Nev.
$1-3 million in Sales
AlphaGraphics, Albuquerque, N.M.
AlphaGraphics, Phoenix, Ariz.
Colt Reproduction Center, Boulder, Colo.
Insta Copy Printing, Las Cruces, N.M.
Repro-Graphics, Phoenix, Ariz.
Sir Speedy, Scottsdale, Ariz.
Stop & Go Printing Company, Denver, Colo.



Key to Region: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

East North Central

$10-20 million in Sales
Original Copy Centers, Cleveland, Ohio
$3-10 million in Sales
Econo-Print, Madison, Wis.
Embossing Printers, Battle Creek, Mich.
PIP Printing, Indianapolis
Southern Indiana Graphics, Aurora, Ind.
Summit Reprographic Service, Akron, Ohio
$1-3 million in Sales
American Speedy Printing, Ann Arbor, Mich.
Creative Graphic Service, Addison, Ill.
Heritage Instant Print, Milwaukee, Wis.
Xpress Print, Canton, Ohio

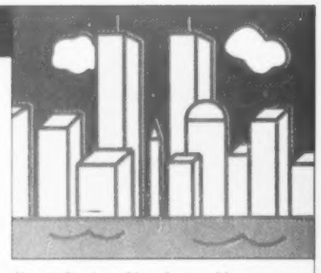


Key to Region: Illinois, Indiana, Michigan, Ohio, Wisconsin

Mid-Atlantic

$10-20 million in Sales
Pro Print, New York, N.Y.

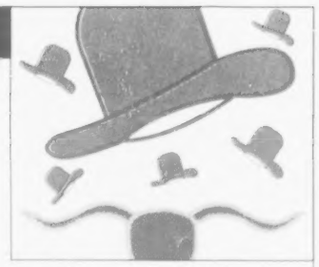
Printer's Places, Philadelphia, Pa.
Triangle Reprocenters, Princeton, N.J.
$1-3 million in Sales
Colonial Printing, New Hyde Park, N.Y.
Documentary Reproduction Service, New York, N.Y.
In & Out Printing, Niagara Falls, N.Y.
PIP Printing, Pennsauken, N.J.
Print Central, Buffalo, N.Y.
Sir Speedy, Lancaster, Pa.
Sir Speedy, Wyckoff, N.J.



Key to Region: New Jersey, New York, Pennsylvania

West South Central

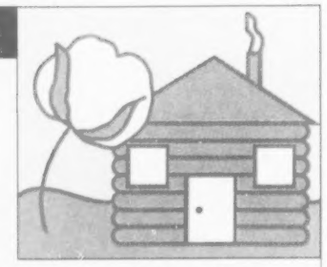
$3-10 million in Sales
Docucopy Management Services, Houston, Tex.
Ginny's Printing & Copying Corporation, Austin, Tex.
$1-3 million in Sales
AlphaGraphics, Houston, Tex.
Best Reprographics, Dallas, Tex.
Easy Print, Inc., Amarillo, Tex.
Thomas Reprographics, Richardson, Tex.
Uniform Printing, Jacksonville, Tex.



Key to Region: Arkansas, Louisiana, Oklahoma, Texas

East South Central

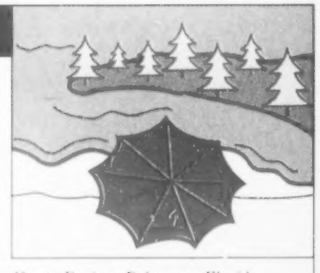
$3-10 million in Sales
Design Printing Company, Memphis, Tenn.
Lasergraphics Copy Shop, Louisville, Ky.
Vintage Forms, Inc., Louisville, Ky.
$1-3 million in Sales
Birmingham Blue Print, Birmingham, Ala.
Quik Print Southeast, Chattanooga, Tenn.



Key to Region: Alabama, Kentucky, Mississippi, Tennessee

South Atlantic

$10-20 million in Sales
Frank Gumpert Printing Company, Kensington, Md.
$3-10 million in Sales
Balmar Printing & Graphics, Washington, D.C.
Copy General Corporation, Washington, D.C.
Curtis 1000 Speedi-Print, Atlanta, Ga.
Printing Services Company, Richmond, Va.
Rockville Instant Printing, Rockville, Md.
$1-3 million in Sales
Copy Cat Printing, Baltimore, Md.
Duvall Printing, Baltimore, Md.
Franklin's Printing Office Supply, Atlanta, Ga.
Harbor Printing, Baltimore, Md.



Key to Region: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, Washington D.C., West Virginia

Top Franchises Record Banner Year

Rank, Name, (Parent Company), Location	Sales Most Recent Fiscal Year (000)	Sales Previous Fiscal Year (000)	Change (%)	Number of Locations	CEO	Years in Business
1. Sir Speedy/Copies Now, Laguna Hills, CA	336,000	306,000	+10	875	Don F. Lowe	23
2. Kwik-Kopy, Cypress, TX	335,986	306,732	+10	1,000	F.C. "Bud" Hadfield	24
3. American Speedy, Bloomfield Hills, MI	141,000	119,000	+18	700	Vernon G. Buchanan	14
4. Alphagraphics, Tucson, AZ	128,000	120,000	+ 6	325	Mike Witte	21
5. Insty-Prints, Minneapolis, MN	90,000	75,000	+20	325	James Kaufenberg	24
6. Quik Print, Wichita, KS	34,848*	N/A	N/A	132	Wayne Jenkins	28
7. Printmasters, Torrance, CA	24,925	22,904	+ 9	98	Thomas P. Vitacco	15
8. PIP Printing, Agoura Hills, CA	23,000	26,000	−11	1,087	Betsy Burton	23
9. Minuteman Press, Farmingdale, NY	20,300	20,004	+ 2	977	Roy Titus	17
10. The Ink Well of America, Columbus, OH	14,000	11,000	+27	68	George Domsic, Jr.	19
11. LazerQuick, Wilsonville, OR	11,500	10,500	+10	38 **	Carl Swett	23
12. Transamerica Printing, Morrow, GA	11,000*	N/A	N/A	26	Patrick Koehler	5
13. Signal Graphics, Denver, CO	5,593	3,700	+51	29	Steve Morris	17
14. Printhouse Express, Leesburg, VA	4,240	3,019	+40	17	Tom S. Galloway	7
15. Triangle Repro Centers, Princeton, NJ	4,200	4,000	+ 5	14 **	Joseph P. Teti	23
16. Franklin's Systems, Atlanta, GA	2,321	2,179	+ 7	3	Hal Collins	15

*Estimated, from average store revenue
**Includes company-owned locations

Franchise Loyalty Key to Success

With one exception, and in the face of a weak economy, the top quick printing franchises show substantial sales revenue growth in their most recent fiscal years (with a median increase of 15%). Many of these privately-held businesses attribute the increase to the health of their satellites. While each franchise is unique, the relationship between corporation and shop owner is similar throughout the industry.

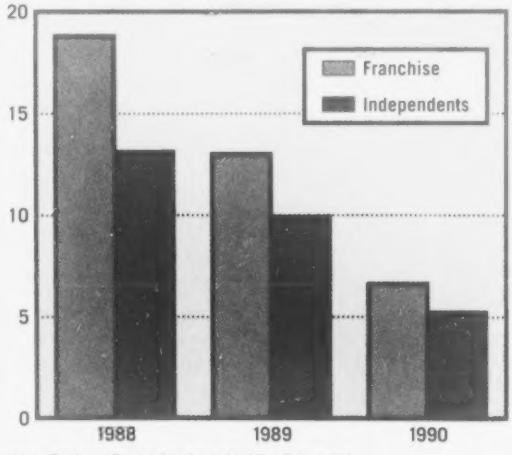
Typically, the franchisor provides the franchisee with start-up costs, training materials, seminars, national advertising, marketing assistance, and information on new products, in exchange for a fee. The franchisor continues to provide these services for an annual royalty fee throughout the relationship. Specific fee structures vary from franchise corporation to corporation; most franchisors require on-average 4% of gross sales the first year, and 6% each year thereafter. Historically, the relationship has proved profitable for both parties. In some cases, it's the only way a franchisee could own his/her business.

Note that one of the biggest names in quick printing is absent from the above list. Kinko's, according to Corporation Communications Director Judy Bartline, is not a franchise operation. The instant printing giant is a privately-held company founded in 1970 by Paul Orfalea. Today there are 584 Kinko's chain stores, all at least partially owned by the corporation. In fact, instead of franchising, the company enters partnerships with its qualified employees. Kinko's declined to disclose its sales revenue figures for this report.

Sales Growth: Franchises Vs. Independents

Independently-owned quick printers show slower sales growth than their franchised counterparts, but the gap is narrowing between the two groups, according to the 1990 Crouser Report. Overall, sales growth lagged in shops with very few employees (1-5), or the most employees (20-plus).

Three years ago, franchised shops realized nearly a 6% increase in sales growth over the independents; in 1990 the difference was just over 1%. The graph below shows, along with the narrowing gap between groups, a steady decline in sales growth for both segments of the industry over the three-year period.



Source: The Crouser Report on Sales Among Small-Press Printers, 1990

Coated Paper Thrives in Europe

In the early 1980s, production of coated paper was just about equal between the U.S. and Western Europe. But after growing at a double-digit pace over the last eight years, coated paper production in Europe has surpassed that of the U.S. by nearly 50%.

Coated paper production in the European Community and the European Free Trade Association hit 10 million metric tons in 1990, easily eclipsing the seven million tons produced here. Since 1983, coated woodfree (freesheet) capacity there doubled to 4.6 million metric tons and coated groundwood capacity grew by 80% to 5.5 million tons.

Supercalendered (SC) paper consumption in Europe stands at 2.2 million tons, and although it has not experienced the fantastic growth rates of coated papers, announced new capacity will increase supply by 30% in the next three years.

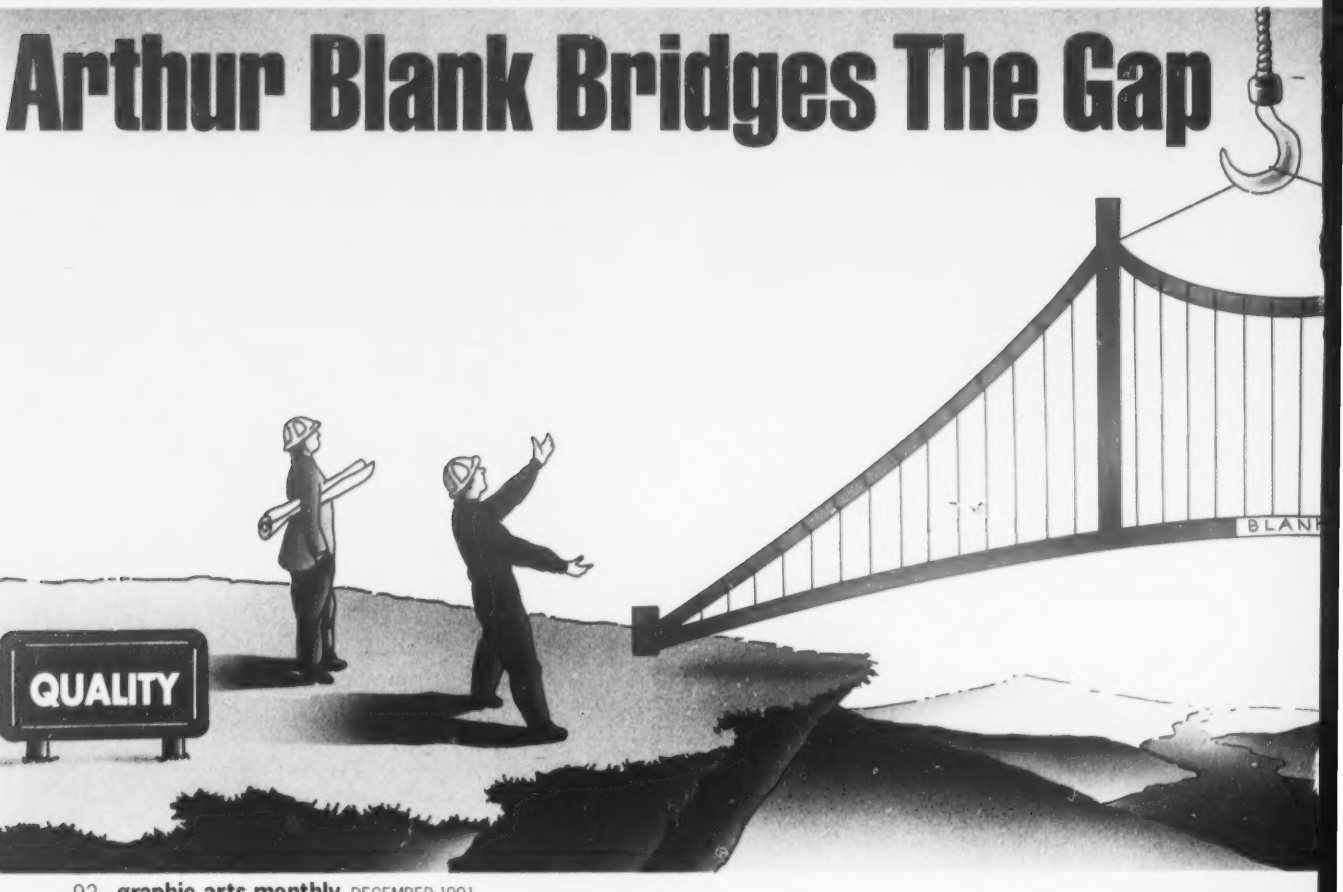
Coated Paper 1990 (000 tons)

	UK	GERMANY	USA
Production	481	2,270	6,824
Exports	296	1,517	199
Imports	1,105	1,210	849
Apparent Consumption	1,290	1,983	7,474

Several factors account for this development. Because of the relatively high wood costs, particularly in Sweden and Finland, producers have been forced to enter value-added markets. For non-integrated producers, the utilization of inorganic materials to supplement high-cost, imported woodpulp has been a focus.

Manufacturers have also recognized the profitability of high-quality publication grades and see the increase in cash flow opportunities as effective in expanding operations either through merger and acquisition and/or capacity addition. The rise in pure consumerism, along with the GNP, has given advertising and other marketing vehicles new life for producers of consumer goods, and their choice, so far, has been the print media.

The capacity growth heading into the 1990s is starting to squeeze profits, and most estimates find demand falling about



15% to 20% short of supply, meaning downtime, inventory reductions, and permanent retirement of some capacity. The lightweight coated market (LWC) is on the higher end of those estimates, while the SC market is currently on the lower end. Those positions are set to switch in two to three years.

The coated groundwood segment is still expanding (nearly one million new tons in the last three years) and prospects for growth are less optimistic, especially given the no-growth (i.e., GNP) climate.

The graphic arts industry is said to be greater in Western Europe than in the U.S., despite the immaturity of some prime advertising markets (such as Germany). The demographics of Europe indicate a large spread of consumption of publication grades, influenced primarily by availability of raw materials and traditional methods of communication.

The relationship between consumption of paper and GNP is not unique, and present market conditions (no growth, but more paper consumption) prove that theory. If GNP is used exclusively to forecast growth, then the "Mediterranean Basin" appears to be the bright spot and the point of marketing emphasis. Spain and Italy have already demonstrated an enormous potential for increased paper consumption since the early 1980s.

The key driving force remains expenditures on advertising. The deregulation of television in Europe has not cut paper usage but rather increased it substantially. For example, the introduction of commercial television in Italy beginning in 1980 tweaked paper consumption significantly, and is slowing down now. Spain is just starting this upward climb.

European TV watchers enjoy reading about upcoming programs and news of their favorite stars on both national and regional levels. France has at least three television magazines that are distributed nationally, countless regional magazine and newspaper supplements, and is in the middle of a price war and consumption binge.

Today's market downturn illustrates the linkage between electronic and print media advertising, as both have fallen in equal amounts.

Spectacular growth has been apparent for the direct-mail communications between quality-of-life industries and upper-income households. A boom in catalogs, brochures, and "leave behinds" has boosted the printed paper markets by 10% and more through most of the 1980s.

Another reason for the strong capacity growth of coated paper is the opportunity to export. European producers ex-

(Continued on p. 96)

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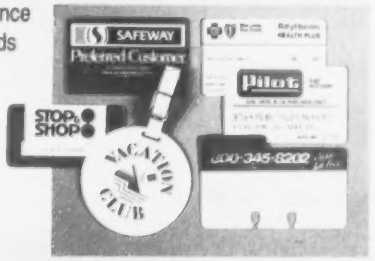

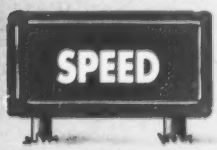

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port more than 15%, or 1.5 million metric tons, to every corner of the world; the biggest single market is the U.S., which takes over one-third of the total. The market in the U.S. was available simply because of the lack of U.S. exports and raw material differences that allowed European products to distinguish themselves in niches.

Although much of the coating technology was developed in the U.S. (Beloit's short dwell coating head, Georgia kaolin product proliferation), it was European producers who continued the use of different materials to exact a specialty that would be attractive to printers, publishers, ad agencies, and the like to accept European products, which they perceived as having higher quality.

With the growth of coated paper capacity in the U.S. and the technology transfer about to take place, the conflict between the major producers is evident. The first shot was taken by the U.S. via an anti-dumping suit filed against some LWC producers, particularly in Finland, which is yet to be fully resolved. European producers cannot afford to lose their U.S. market shares at a time when growth in Europe's traditional markets is slowing and the newly available Eastern markets are not yet able to buy paper because of a lack of hard currency.

The result will be continued price pressure, particularly from American producers wishing a place in the European market; more media specialization, including a shift away from newspapers; globalization of the publishing industry, lending titles and ideas to a wider readership; and resolution of trade conflicts via establishment of niche markets either from developing printing technologies or paper technologies, or both.

To compete in European markets, U.S. producers will be forced to introduce new coating materials and technologies, will have to learn to deal with finicky national distribution methods and organizations, conform to European standards of quality, and participate in the dialogue between consumers, distributors, environmentalists, and governments.

Europeans will need to double-up their marketing efforts in the U.S. to include price considerations, supply guarantees, and assisted technology transfer in printing, and to fit any other desire of the price-conscious U.S. consumer.

The threats in the European paper industry are more pronounced than in the U.S. Most notably, environmental pressure is intense and growing. Secondly, the use of office automation equipment is more easily accepted, and in an environment of slower commercial real estate growth, cost-conscious office managers may not want bookkeeping and information storage overwhelmed by paper.

Printing technologies like the laser printer may be reserved only for a final communication, and currently do not allow use of mechanical pulp-based sheets (they are too hot).

The long-term outlook for coated publication papers in Europe remains optimistic. Any increase in GNP has a multiple effect on advertising expenditures, and for those markets which have growth in consumption available, the multiple will be even higher. The television market will never be able to reach the specialization levels of print media, and given the linkage between outlets of information, any pan-European growth in TV will help publication-grade papers.

ers as to whether the flow of petroleum-based raw materials would continue uninterrupted;

—Ramifications of attempts to achieve compliance with the Clean Air Act amendments of 1990 through reduced air emissions;

—Expanded use of recycled paper products as an element in programs to control the solid waste crisis; and

—Intensified marketing promotion from the domestic agricultural sector, seeking to expand markets for its surpluses.

The American Newspaper Publishers Association (ANPA), recognizing some of these factors early, was among the first to sponsor research aimed at finding renewable resources as alternatives to petroleum-based raw materials. Their interest was, understandably, principally aimed at news inks.

This research effort, conducted by ANPA in the 1970s, identified soya bean oil as a means for providing positive benefits to newsinks, including enhanced stability, cleaner color development, and increased rub resistence.

After ANPA licensed the technology its researchers had developed to printing ink manufacturers, ensuing improvements in newsink formulations quickly followed. By the late 1980s, the commercial marketing of soya oil-based newsinks to the newspaper industry was well underway and has continued to gain broad acceptance among newspaper publishers.

Though these products have been well received, their news ink use was predominantly limited to colored inks. But now, principally in response to pressures for cleaner air and for reduced solid waste disposal, the use of soya bean oil has expanded to the above-mentioned applications for other printing processes. As a result, many printing ink manufacturers now offer soya oil-based inks as an important part of their regular product lines.

But technical problems still remain. Soya and other vegetable oils cannot be used in all types of printing inks, particularly flexographic and gravure inks. Such oils have been limited to use in paste inks, such as newsinks and lithographic inks. Because newsinks, in particular, dry by penetration and absorption, it is theoretically possible to substitute soya oil for petroleum oil in their formulations.

The soya oil-based inks perform well. They provide excellent press stability, brighter colors, better lithographic properties and improved ink transfer. Because of these variables, some printers also assert that ink mileage is also appreciably increased.

Present technology, however, does not yet permit the complete replacement of petroleum oils in other types of printing inks, such as those used in commercial offset or heatset web offset formulations. This results from the chemistries of the formulations, the drying mechanisms involved, press speeds, and the broad range of substrates now employed by today's printers.

In the second part of this article, appearing next month, the characteristics of these inks will be dealt with in more detail. And an attempt will be made to analyze some of the environmental claims made for these inks.